

Board	Mtg Date	Item #
Jl	6/19/2003	1

## MINUTES OF MEETING

### STATE OF WISCONSIN JOINT INFORMATIONAL MEETING TEACHERS RETIREMENT, WISCONSIN RETIREMENT, AND EMPLOYEE TRUST FUNDS BOARD

Thursday, March 13, 2003

**Sheraton Madison Hotel  
706 John Nolen Drive  
Madison, Wisconsin**

#### BOARD PRESENT:

Ted Bauer, WR Board  
Ted Bratanow, TR Board  
John Brown, ETF Board and Vice-Chair, WR Board  
Sherry Brown, ETF Board  
Susan Crawford (*representing Karen Timberlake, ETF Board*)  
Reginald Delwiche, TR Board  
Suzanne Doemel, TR Board  
Barbara Ermeling, WR Board  
Rick Gale, WR Board  
Donald Ganther, TR Board  
James Gruentzel, ETF Board  
Wayne Koessl, Vice-Chair, ETF Board and WR Board  
Wayne McCaffery, Chair, TR Board and ETF Board  
Eileen Mallow (*representing Jorge Gomez, WR Board*)  
Lon Mishler, TR Board  
Robert Niendorf, Secretary, ETF Board and Vice-Chair, TR Board  
Gerald Pahl, TR Board  
Dennis Pratt, TR Board  
Nancy Thompson, TR Board, ETF Board  
James Tripp, TR Board  
Cynthia Van Bogaert, ETF Board  
Marilyn Wigdahl, Chair, WR Board and Chair, ETF Board  
David Wiltgen, TR Board

#### BOARD NOT PRESENT:

Jefferson Davis, Secretary, WR Board  
Stephen Frankel, ETF Board  
Irena Macek, ETF and TR Board

#### PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary  
Dave Mills, Deputy Secretary  
Julie Reneau, Administrator, Division of Retirement Services  
Pam Henning, Director, Office of Strategic Services  
Christina Licari, Board Liaison  
Linda Owen, Division of Retirement Services  
Shelly Schueller, Office of the Secretary

#### OTHERS PRESENT:

Steph Beardsley, Legislative Audit Bureau

Michael Blumenfeld, Blumenfeld & Associates  
Mark Byce, Gabriel, Roeder, Smith & Company  
Xia Cha, Legislative Audit Bureau  
Sandy Drew, State of Wisconsin Investment Board  
Bill Ford, Legislative Council  
Vicki Hearing, State of Wisconsin Investment Board  
Dave Hinrichs, Department of Employee Trust Funds  
Ken Johnson, State of Wisconsin Investment Board  
Norm Jones, Gabriel, Roeder, Smith & Company  
Ed Kehl, Wisconsin Coalition of Annuitants  
Nancy Ketterhagen, Department of Employee Trust Funds  
Tom Korpady, Department of Employee Trust Funds  
Marlene Lamb, Department of Employee Trust Funds  
Jean Ledford, State of Wisconsin Investment Board  
Ron Mensink, State of Wisconsin Investment Board  
Brian Murphy, Gabriel, Roeder, Smith & Company  
Vicki Poole, Department of Employee Trust Funds  
Shelly Schueller, Department of Employee Trust Funds  
Mel Sensenbrenner, State Engineering Association  
Jim Skiles, Wisconsin Retired Educators Association  
Anne Spurley, Blumenfeld & Associates  
Ken Stelzig, Wisconsin Educators Association Council – Retired  
Tilly Steinbeck, State of Wisconsin Investment Board  
Robert Weber, Department of Employee Trust Funds  
Steve Werner, Wisconsin Professional Police Association  
Nancy Williams, Mercer Investment Consulting

Marilyn Wigdahl, Chair, Wisconsin Retirement Board and Employee Trust Funds Board, called the meeting to order at 8:49 a.m.

## **CONSIDERATION OF MINUTES OF PREVIOUS MEETINGS**

***Motion: Ms. Doemel moved approval of the minutes of the February 24, 2003, Special Meeting and the December 12, 2002, meeting as submitted by staff.  
Mr. Brown seconded the motion, which passed without objection on a voice vote.***

## **ANNOUNCEMENTS**

Ms. Reneau introduced Rick Gale, recently appointed member of the Wisconsin Retirement Board. Ms. Reneau also introduced Susan Crawford, Deputy Secretary of the Department of Employment Relations, representing Karen Timberlake, recently appointed Secretary of the Department of Employment Relations and member of the Employee Trust Funds Board. Ms. Reneau also noted that Jorge Gomez, recently appointed Commissioner of Insurance and now a member of the Wisconsin Retirement Board, would be attending the WR meeting in the afternoon.

## **ADMINISTRATIVE RULE**

**Scope Statement: Dividend Distribution.** Ms. Owen presented a Scope Statement that would allow the Department of Employee Trust Funds (ETF) to proceed with a possible revision to the

administrative rule that governs when annuitant dividends are distributed. In 2002 the administrative rule was revised to require annuitant dividends to be distributed in the April 1 payment rather than in the May 1 payment. Due to the harm that would result from the earlier distribution date this year because of the negative variable adjustment and 0% fixed dividend, on February 24 the Boards approved an emergency rule that moved the distribution back to the May 1 payments for this year.

Board members raised issues about whether amending the rule again would constitute good public policy. The Department stressed that approving this scope statement does not commit the Department or the Boards to any specific course of action with respect to revising the rule. Instead, it would keep options open for revising the rule before next year's dividend is distributed and permit the Department to study the merits of alternative approaches. Possible alternatives include changing the permanent rule back to the May 1 distribution date, establishing a conditional effective date for changing to an April 1 distribution date, etc.

## **LEGISLATIVE REPORT AND BUDGET UPDATE**

**Legislative Report.** Ms. Henning provided members with a brief update on current legislative issues, noting that the Department would continue to provide information as new legislation is introduced or approved.

**Budget Update.** Ms. Henning provided members with a comprehensive update on the status and proposed provisions of the 2003-2005 biennial budget. She noted that the Department will lose positions and staff due to project appointments from Act 11 terminating on June 30, 2003. Ms. Reneau commented on the likelihood of a significant drop in the level or quality of customer service as a result of fewer staff. Ms. Henning's written report highlighted other items of interest within the budget proposal including items related to the Benefit Payment System, non-construction costs for the state office building addition, information technology and Governor's initiatives. Further updates will be provided as the proposed budget moves through the legislative process.

## **MISCELLANEOUS**

**Benefit Payment System.** Ms. Reneau presented a status report on the Benefit Payments System (BPS) development. Ms. Reneau noted that the project is experiencing a five-week variance from the initial plan due to the need to implement security requirements that are coordinated with the Department of Electronic Government.

**Annuity Adjustments.** Ms. Reneau provided members with a copy of the letter regarding annuity adjustments effective on the May 2003 payment, which was sent to all annuitants in early March. The letter specifically addresses the 0% fixed annuity adjustment and the minus 27% variable annuity adjustment as well as the restored dividend distribution date of May 1, 2003.

## **EDUCATIONAL TOPIC: FIDUCIARY TRAINING**

Ms. Reneau introduced Nancy Williams of Mercer Investment Consulting. Ms. Williams conducted a slide presentation in correlation with her training discussion on fiduciary responsibilities. Some main points in Ms. Williams' presentation included the types of people considered fiduciaries and the primary responsibilities of fiduciaries, which include prudence, loyalty, management of conflict of interest. She also discussed protection from liability.

*(The Board took a break at 11:00 a.m.)*

## **WISCONSIN RETIREMENT SYSTEM TWENTIETH ANNUAL ACTUARIAL VALUATIONS OF RETIRED LIVES – DECEMBER 31, 2002**

Ms. Reneau introduced Norm Jones and Mark Byce from the Department's actuarial firm, Gabriel, Roeder, Smith & Company. Mr. Jones conducted a slide presentation discussing the *Wisconsin Retirement System Twentieth Annual Actuarial Valuations of Retired Lives – December 31, 2002*. The report represents a comparison of reserve balances of the fixed and variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual dividend. Ms. Reneau noted that the Employee Trust Funds Board would be asked to accept this report at their meeting on Friday, March 14, 2003.

## **STATE OF WISCONSIN INVESTMENT BOARD REPORT**

Ken Johnson, Chief Operating Officer of the State of Wisconsin Investment Board (SWIB), provided members with a handout and update on the 2002 end-of-year investment returns. Included in Mr. Johnson's presentation were assets under management as of December 31, 2002; comments regarding 2002 overall performance; annualized returns; volatility in comparison with Legislative Audit Bureau-selected peers; the annual asset allocation process and 2003 asset allocation targets. Mr. Johnson then turned the presentation over to Jean Ledford, Chief Investment Officer – Equities. Ms. Ledford conducted a slide presentation and provided a handout to members regarding SWIB equity asset allocation and investment policies. Ms. Ledford's presentation included information on 2002 market returns, reasons for the weak stock market and expectations for stronger economic growth in 2003.

## **ADJOURNMENT**

***Motion: Mr. Brown moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

The Joint Informational Meeting adjourned at 12:16 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Jefferson Davis, Secretary  
Wisconsin Retirement Board